
INSTRUCTIONS FOR 2013 PIT-B
NEW MEXICO ALLOCATION AND APPORTIONMENT OF INCOME SCHEDULE

GENERAL INSTRUCTIONS

Schedule PIT-B, *New Mexico Allocation and Apportionment of Income Schedule*, is for taxpayers with income from sources both inside and outside New Mexico. Schedule PIT-B provides a credit against New Mexico tax equal to the New Mexico source income divided by total income everywhere. New Mexico source income is derived by allocating and apportioning total income.

If you have income from sources both inside and outside New Mexico, attach and submit Schedule PIT-B with your PIT-1 return.

Column 1. Complete this column by entering the net income from your federal return. Enter the income by the type of income described on each line.

Column 2. Complete this column by entering the amounts of the items stated on each line. Each line instruction in this column describes the allocation and apportionment rules for the type of income. The instructions also provide specific information based on the New Mexico residency status of the taxpayer, or if filing a joint return, the residency status of taxpayer and spouse. New Mexico residency status is defined in the PIT-1 return instructions, page 3, and reported on the PIT-1 return, page 1, lines 1e and 2e.

For additional instructions when a married couple is filing a joint return and one spouse, but not both, is a resident of a community property state, see **About Community and Separate Income** on this page. When both spouses are residents of community property states, or both spouses are residents of non-community property states, the special allocation and apportionment rules do not require additional instructions.

Important Definitions. In the PIT-1 return instructions, page 3, **Who Must File**, you can find definitions of the following terms:

- Resident
- First-year resident
- Part-year resident
- Non-resident

Other Helpful Information. Information and general instructions on the following topics are covered next to help you complete Schedule PIT-B:

- Definition of allocated income
- Definition of apportioned income
- Definition of community income
- Information about community and separate income
- Allocation of community and separate income
- Residency of military servicemember's spouse

Detailed information on completing Schedule PIT-B appears in the line instructions starting on page 4B.

Allocated Income. For Schedule PIT-B, allocated income means *non-business* income reported on PIT-B, lines 1 through 7. Using the specific line instructions, base the allocation on either:

- The date you received the income (for example, wages, interest, or dividends of a first-year resident),
or
- The location of the income-earning property or activity (for example, rent and royalty income).

Apportioned income. For Schedule PIT-B, apportioned income means *business and farm* income you report on PIT-B, line 8. Business and farm income includes income reported on federal Schedule C, Schedule C-EZ,

Schedule F, or other schedules that characterize income as business-related. Business income is apportioned based on the location of the income-earning property or activity.

Information About Community and Separate Income. The laws of the state of domicile generally govern whether you have community property and community income—or separate property and separate income—for federal and state tax purposes. Community property states are New Mexico, Arizona, California, Idaho, Louisiana, Nevada, Texas, Washington, and Wisconsin.

Because New Mexico is a community property state, all assets and liabilities acquired during a marriage are the community property of both spouses, unless the property is separate property.

Community income is income from community property acquired by persons domiciled in a community property state during the marriage is community income. It can be either non-business income (for example, wages, salaries, dividends, interest, royalties, or rents) or business income (for example, Schedule C gross receipts or farm income).

When a couple files married filing jointly, all income and payments are combined and tax is computed on the sum of all community and separate income. When a couple files married filing separately, each spouse reports 50% of community income and all income generated from the separate property of the spouse who owns the property.

When a couple's income is not evenly divided, you must attach a statement showing the correct division of com-

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munity and separate income and payments.

When one spouse, but not both, resides in a community property state and the couple has income from sources both in and out of New Mexico, special instructions for completing Schedule PIT-B are generally needed. For specifics and examples, see **Allocation of Community and Separate Income** in the next section.

For general guidance in determining whether income is community income or separate income, see Publication FYI-310, *Community Property, Divorce, Separation, and Your New Mexico Income Tax*, and Internal Revenue Service (IRS) Publication 555, *Community Property*. You can download these publications from the New Mexico Taxation and Revenue Department website at www.tax.newmexico.gov and the IRS website at www.irs.gov.

Allocation of Community and Separate Income. When one spouse, but not both, is a resident of a community property state:

- Half of the community income of the spouse who is a resident of a community property state is equally divided between both spouses, **and**
- 100% of the separate income is treated as if it was the income of the spouse who owns the property.

For your records, create a worksheet of the income of each spouse. Divide the community income equally between each spouse and assign 100% of separate income to the spouse who owns the separate property.

Then determine the New Mexico residency status of each spouse. Based on each spouse's New Mexico residency status, and using the line instructions, determine the correct allocation and apportionment rules to apply to the type of income for each spouse.

Example 1. A New Mexico full-year resident and a Colorado resident (non-resident of New Mexico) are married

and file a joint return. The New Mexico resident has wage income from employment in Texas. Because New Mexico is a community property state and the resident spouse is domiciled in New Mexico, the resident spouse's wage income is community property. Half the wage income from employment in Texas is the property of each spouse.

The instructions for Schedule PIT-B, line 1, require that half of the New Mexico resident's wage income is allocated in full to New Mexico, even if the income was not earned in New Mexico. The non-resident spouse's share of the community wage income is not allocated to New Mexico, because the income is not from services performed in New Mexico.

Example 2. Use the same facts as example 1, except the wage income is the separate income of the New Mexico resident spouse due to a separation agreement. All wage income is allocated to New Mexico, because the spouse entitled to the benefit of the entire amount of wage income is a resident of New Mexico.

The New Mexico resident must allocate this wage income according to the line instructions for a **resident** taxpayer on Schedule PIT-B, line 1.

Example 3. Again, use the same facts as example 1, except wages from employment in Texas were earned by the non-resident spouse who was domiciled in Texas. Because the non-resident spouse is domiciled in a community property state, the wage income is community property.

When both spouses are residents of community property states or both spouses are residents of non-community property states, special allocation and apportionment rules are not needed.

Half of the community income is allocated to New Mexico, based on the instructions for the resident spouse's share of the community income. The other half of the community income is not allocated to New Mexico, based on the instructions for the non-resident

spouse's share of the community income.

Example 4. If both spouses are residents of New Mexico, all community wage income is allocated to New Mexico.

Residency of Military Servicemember's Spouse. These instructions are effective beginning with tax year 2009. They apply to a military servicemember's spouse who moves to a state solely to be with the servicemember who is in that state due to military orders.

The spouse who moves may keep the residency status of their state of domicile and allocate non-military wages, salaries, tips, and other income from services performed in the new state to the state of legal residency. Even when income is earned in another state—the state where the spouse moved to join the military servicemember—the spouse pays taxes to its state of legal residence.

The following restrictions apply to the servicemember and spouse:

- The servicemember must have declared "legal residence for purposes of withholding state income taxes from military pay" in the state of domicile.
- The servicemember must be in the new state due to military orders.
- The servicemember's spouse must be in the new state solely to be with the military spouse.

IMPORTANT: The servicemember continues to allocate non-military income from services performed to the state where the income was earned.

A New Mexico resident who is a qualifying servicemember's spouse living in another state does the following:

- Completes a New Mexico PIT-1 return as a resident taxpayer, **and**
- Allocates wages, salaries, tips, and other income from services performed as if they were earned in New Mexico, even though the income was earned in another state.

For details, see *Guidance for New*

Mexico Resident Military Spouses Claiming Relief From Another State's Income and Withholding Tax Requirements. You can get a copy at www.tax.newmexico.gov, the Department's website. In the **Search** box, enter **RPD-41348**, and then click the Guide link.

A non-resident of New Mexico who is a qualifying servicemember's spouse living in New Mexico, does the following:

- Completes a New Mexico PIT-1 return as a non-resident taxpayer, **and**

- Allocates income from services performed in New Mexico to the state of legal residency, **and**
- Marks the box at the top of Schedule PIT-B to indicate status as primary taxpayer or spouse, and qualification for relief under the Military Spouse Residency Relief Act.

A part-year or first-year New Mexico resident, who is a qualifying servicemember's spouse, allocates income from services performed in New Mexico to New Mexico during periods in which they were residents of New Mexico.

If you are a military servicemember's spouse, eligible to claim an exempt New Mexico withholding status based on the Military Spouse Residency Relief Act, you must annually submit Form RPD-41348 to your employer or payor responsible for withholding New Mexico tax. Keep a copy, signed by the employer or payor, in your records. Do not submit RPD-41348 with your PIT-1 return unless the Department requests it.

Your employer or payor must sign a new RPD-41348 annually, or when your situation changes.

STEPS FOR COMPLETING SCHEDULE PIT-B

The instructions for Schedule PIT-B apply to all taxpayer situations. If your situation is not covered, or if the apportionment instructions do not fairly represent the extent of your business activity in New Mexico, you may petition—or the Department may require you—to use another method to apportion all or any part of your business income.

Other methods to apportion income may include:

- Apportionment by excluding any one or more of the usual three factors—property, payroll, or sales—as shown on the worksheet; **or**
- Apportionment by including one or more additional factors; **or**
- Any other method necessary to bring about a fair apportionment of business income.

For additional help, please call the Department at (505) 827-0827.

PREPARING YOUR SCHEDULE PIT-B

Follow these steps to prepare and complete the Schedule PIT-B.

1. In the PIT-1 return instructions, page 18, read **Filling in Your Tax Return**.

2. Complete your federal return and your New Mexico PIT-1 return through

line 14 before beginning Schedule PIT-B.

3. Gather any additional forms or publications you need. In the PIT-1 return instructions, page 1, see **Contacting the Department** for other helpful resources.

4. Collect any additional tax records to show the sources of your income items. Some taxpayers find it helpful to make a list identifying the source of each income item reported for federal income tax purposes.

5. Fill in your Schedule PIT-B using the line instructions that begin on the next page. Specific instructions for lines 1, 2, 3, and 7 apply to Column 2 for different residency statuses. Follow the instructions for the residency status you reported on your PIT-1 return, boxes 1e and 2e.

NOTE: Definitions for **resident**, **first-year resident**, **part-year resident**, and **non-resident** are located in the PIT-1 return instructions, page 2, **Who Must File**.

6. If you have an entry on line 8, column 1, complete the worksheet on Schedule PIT-B, page 2, unless the entry on line 8, column 2 is the same as Column 1 or is zero. Line instructions for the worksheet begin on page 8B.

7. Check your figures on Schedule PIT-B and, if applicable, the worksheet. Make sure the arithmetic is correct, and you have limited your entries when required.

IMPORTANT: Remember that residents must allocate income and deductions on lines 1, 2, 3, and 7 in full to New Mexico.

8. Do a final check on these pages of Schedule PIT-B:

- Is your correct name and social security number shown?
- Is page 1 and, if applicable, page 2 complete?
- Have you answered all required questions?

9. Do a final check on these lines of Schedule PIT-B and PIT-1:

- You correctly transferred your tax liability from Schedule PIT-B, line 14, to your PIT-1 return, line 18.
- You entered a **B** in the line 18a box to indicate you used Schedule PIT-B to compute your tax.

Complete your 2013 PIT-1 return by continuing with the line instructions for the return.

ABOUT THESE INSTRUCTIONS

References to line numbers on federal forms. These references are only a convenience. They are based on information available to the Department at the time the instructions go to print.

We do not provide instructions for items or lines that require you to add or subtract, or to perform other actions that are self-explanatory.

Complete Column 1 before Column 2. For each line item, first complete Column 1. You can usually take the amount for Column 1 from your federal return. The instructions tell you the amount to enter in Column 2 according to your residency status, so be sure to use the correct residency status instructions.

NAME, SOCIAL SECURITY NUMBER, AND RESIDENCY

Enter the primary taxpayer's first name, middle initial, last name, and social security number exactly as they appear on your PIT-1 return.

Residency period. Part-year and first-year residents enter the beginning and ending date for the tax year when the taxpayer was a resident of New Mexico. If married filing jointly, and your spouse's residency period is different, enter the period of residency for your spouse. If additional periods of residency apply, write them on Schedule PIT-B in the space below the lines.

Qualification for Residency Relief. If either the primary taxpayer or spouse is a qualifying military servicemember's spouse (see **Residency of Military Servicemember's Spouse**, page 2B), is not a resident of New Mexico, and is allocating income earned from services performed in New Mexico to the state of residence, at the top of PIT-B you must mark box **E** (Primary) or **F** (Spouse).

Marking box E or F is required to indicate qualification for relief under the Military Spouse Residency Relief Act.

LINE 1

Wages, salaries, tips, etc.

See the instructions for the 2013 PIT-1 return, line 20, to calculate the credit for taxes paid to another state.

Non-residents allocate income from line 1 to New Mexico only if wages were earned in New Mexico.

Column 1

Enter the amount of wages, salaries, tips, etc. from federal Form 1040, line 7; Form 1040A, line 7; or Form 1040EZ, line 1.

Column 2

Resident. Enter the same amount you entered in Column 1.

Residents of New Mexico **must** allocate in full to New Mexico all amounts of wages, salaries, tips, etc. on Schedule PIT-B, line 1, column 1. If the income was earned outside New Mexico and tax was paid to the other state on that income, the taxpayer may claim a non-refundable **credit** for the tax paid to the other state on that income.

First-year resident. Enter all wages, salaries, tips, etc. earned in New Mexico before establishing New Mexico residency, **and** all wages, salaries, tips, etc. earned inside and outside New Mexico after establishing New Mexico residency.

Part-year resident. Enter all wages, salaries, tips, etc. earned inside and outside New Mexico during the part of the year you were a resident of New Mexico, **and** all wages, salaries, tips, etc. earned in New Mexico during the part of the year you were a non-resident.

Non-resident. Enter the part of Column 1 that came from services performed in New Mexico.

Payment for annual leave, sick leave, and holiday leave associated with employment or services performed in New Mexico is New Mexico income. Non-residents who work regularly in New Mexico but temporarily assigned

to duty outside New Mexico* may use the PIT-110 Worksheet, *Adjustment to New Mexico Income*. You can get this worksheet from the Department's website or from any Department office.

***"Temporarily assigned to duty outside New Mexico" does not include partial days.**

If your taxable wages and other compensation include moving expenses, the compensation is taxable to New Mexico only if the move is made from another state into New Mexico.

Non-resident military wages or salary. Exclude from line 1, columns 1 and 2, any military wages or salary earned by a non-resident servicemember that was:

- Also included in federal adjusted gross income, **and**
- Reported on the PIT-1 return, line 9.

If you changed your domicile or residency to, or from, New Mexico during the tax year, exclude only the military salary or wages earned while a non-resident of New Mexico. If any or all wages or salaries were for active duty military service in the U.S. Armed Forces, that amount is also included in the amount you deducted from your New Mexico taxable income on Schedule PIT-ADJ, line 16.

Non-resident servicemember's non-military wages or salary. Include in line 1, columns 1 and 2, all non-military wages or salary earned from services performed in New Mexico.

Qualifying non-resident military servicemember's spouse. A qualifying non-resident military servicemember's spouse who has a signed Form RPD-41348, *Military Spouse Withholding Tax Exemption Statement*, may allocate income earned from services performed in New Mexico to the state of residence by **excluding** the income in Column 2. For details about military servicemember's spouse, see page 2B.

Qualifying resident military servicemember's spouse. A qualifying New Mexico resident military servicemember's spouse may allocate income earned in another state to New Mexico by **including** the income in Column 2.

If you are a **first-year resident** or **part-year resident** who is a qualifying military servicemember's spouse, you may allocate income earned from services performed in another state to New Mexico during the part of the year you were a resident by including the income in Column 2. During the part of the year you were a non-resident, allocate income earned in another state from services performed in that other state by excluding it from Schedule PIT-B, line 1, column 2.

LINE 1A

If you used Form PIT-110, *Adjustments to New Mexico Income*, in the calculation of line 1, column 2, mark the box.

LINE 2

Interest and dividends

Column 1

To calculate interest and dividends, follow these steps:

1. Start with the amount of federal taxable dividends and interest on federal Form 1040, 1040A, or 1040EZ.
2. If you have municipal bond income, subtract the New Mexico tax-exempt interest and dividends reported on Schedule PIT-ADJ, line 6, from the amount of federal tax-exempt dividends and interest reported on Schedule PIT-ADJ, line 1.
3. Add the amounts from steps 1 and 2.
4. Enter the result in line 2, column 1.

Column 2

Resident. Enter the same amount you entered in Column 1.

Residents. New Mexico residents **must** allocate in full to New Mexico all amounts of interest and dividends on Schedule PIT-B, line 2, column 1.

If you are a resident and you paid tax on that income to another state, you may claim a non-refundable **credit** for the tax paid to the other state on that income. To calculate the credit for taxes paid to another state, see the instructions for the 2013 PIT-1 return, line 20.

First-year resident. Enter the amount of interest and dividends you received after establishing your residence in New Mexico. To determine when you received interest and dividends, use the date they were payable.

Part-year resident. Enter the amount of interest and dividends you received while a resident of New Mexico. To determine when you received interest and dividends, use the date they were payable.

Non-resident. If you are a non-resident with no commercial domicile* in New Mexico, enter zero. If you operate a business with a commercial domicile in New Mexico, allocate to New Mexico any non-business interest and dividend income from your New Mexico operations.

* **Commercial domicile** is defined here as the principal place where you direct or manage a trade or business.

LINE 3

Pensions, annuities, social security, and lump-sum distributions

Column 1

From your federal return, enter the total amount of pensions, annuities, social security, and lump-sum distributions. Include the ordinary income reported on federal Form 4972, *Tax on Lump-Sum Distributions*.

Column 2

Resident. Enter the same amount you entered in Column 1.

Residents. New Mexico residents **must** allocate in full to New Mexico all amounts of pensions, annuities, social security, and lump-sum distributions on Schedule PIT-B, line 3, column 1. If you are a resident and you paid tax on that income to another state, you may claim a non-refundable **credit**

for the tax paid to the other state on that income. To calculate the credit for taxes paid to another state, see the instructions for the 2013 PIT-1 return, line 20.

First-year resident. Add the following and enter the total:

- Pension and annuity amounts you received after establishing residence in New Mexico, **and**
- The ordinary income portion of any lump-sum distribution from federal Form 4972 you earned the right to receive while a New Mexico resident.

Part-year resident. Add the following and enter the total:

- The portion of pensions and annuities you received while you were a resident of New Mexico, **and**
- The ordinary income portion of any lump-sum distribution from federal Form 4972 you earned the right to receive while a New Mexico resident.

Non-resident. Enter zero. Pension and annuity income of a non-resident are not allocated to New Mexico.

NOTE: Effective for retirement income received after December 31, 1995, federal law prohibits any state from imposing an income tax on certain retirement income (primarily pension income) of an individual unless that person is a resident of or domiciled in the state imposing the tax.

For example, if you receive a pension from your former California employer, but you have established your domicile in New Mexico, California may not impose its income tax on that retirement income. New Mexico may impose its income tax on your retirement income, because you are a New Mexico resident.

LINE 4

Rents and royalties

All taxpayers with income from real property (including rents and royalties from oil and gas interests), tangible personal property, or intangibles located or used in New Mexico must allocate and apportion the income

or loss based on the location of the income-earning property. Intangibles are listed next and definitions for the use of copyrights and patents follow, along with an example.

Intangibles are the following:

- Copyrights
- Patents
- Franchises
- Trademarks
- Licenses

A **copyright** is used in New Mexico when printing or other production takes place in New Mexico.

A **patent** is used in New Mexico when it is employed in production, fabrication, manufacturing, or other processing in New Mexico or when a patented product is produced in New Mexico.

EXAMPLE. If rental property is located in New Mexico, include the income on Schedule PIT-B, line 4, column 2.

If you report income from real property, tangible personal property, or intangibles on federal Schedule C or similar business income schedules, show that income on Schedule PIT-B, line 8, **not** line 4.

Column 1

Enter the net amount of rents and royalties from your federal Schedule E.

Column 2

All taxpayers. Start with the net amount of rents and royalties from the following New Mexico sources:

- Rents from real property located in New Mexico,
- Rents from tangible personal property located or used in New Mexico,
- Income from royalties and working interests in oil and gas producing properties located in New Mexico, **and**
- Income from patents, copyrights, franchises, trademarks, and licenses used in New Mexico.

Residents. If you are not subject to tax on the income from intangible and tangible personal property in another

state, allocate the income used in the other state to New Mexico.

First-year residents and part-year residents. If you earned rent and royalty income during a part of the year that you were a resident of New Mexico, allocate the income to New Mexico.

Calculating the rent and royalty income allocable to New Mexico. If you do not know the extent to which tangible personal property was used in New Mexico, follow these steps to calculate the entry for line 4, column 2, do the following:

1. Find these numbers to use in your calculation.
 - The number of days the property was physically located in **New Mexico** during the rental or royalty period.
 - The number of days the property was physically located **everywhere** during the rental or royalty period.
 - The total amount of rents and royalties received for the tax year.
2. Divide the days in New Mexico by the days everywhere. This gives you the percentage of time the property was located in New Mexico.
3. Multiply the total rents and royalties received for the tax year by the percentage in step 2.
4. Enter the step 3 result on line 4, column 2.

EXAMPLE: An out-of-state taxpayer rents a drilling rig to a New Mexico taxpayer. The drilling rig is in New Mexico for 90 days. The rig is rented for a total of 270 days during the tax year in several states. The total rents and royalties everywhere are \$25,000,000.

90 days located in NM ÷
270 total days everywhere =
33.3% percent of time in NM x
\$25,000,000 rents/royalties everywhere

The result is the rent and royalty income allocable to New Mexico. Enter this amount on line 4, column 2.

What to do in special cases. If you cannot determine the location of the tangible personal property during the rental or royalty period, enter the rental or royalty income from those in New Mexico to whom the property was delivered. Enter on line 4, column 2, the total rental or royalty income for the tangible personal property shown in line 4, column 1.

If you are a resident of New Mexico, or if the business deriving the income has a commercial domicile in New Mexico, you may come across these situations:

- The basis for earnings from intangibles used in New Mexico and elsewhere does not permit allocation to a definite state.
- The accounting procedures do not clearly show the state or states where the intangible was used.

In either of these situations, enter the total income from all intangibles.

LINE 5

Gains or losses from the sale or exchange of property

Column 1

Enter the net amount of gains or losses from the sale or exchange of property from your federal Form 1040 or 1040A.

All taxpayers with income from the sale or exchange of property allocate and apportion the income or loss on line 5, column 1, based on the location of the income-earning property or activity. If a gain is realized on the sale of real property located in New Mexico, include the income in Column 2.

Column 2

All Taxpayers. The next items apply to all taxpayers unless certain categories of taxpayers are specified.

Enter the net amount of a gain or loss from the sale or exchange of the following:

- **Real property** located in New Mexico;
- **Tangible personal property** located in New Mexico at the time

of sale;

- If the taxpayer is a New Mexico resident or part-year resident (see PIT-1 instructions for residency definitions), **tangible personal property** located in another state at the time of sale;
- When the taxpayer is not subject to tax in that state, the taxpayer's commercial domicile is in New Mexico, and the income is not subject to apportionment on line 8, **tangible personal property** of a business located in another state at the time of sale; and
- If the taxpayer is a New Mexico resident, part-year resident, or has a commercial domicile in New Mexico, and the income is not subject to apportionment on line 8, **intangible personal property**.

LINE 6

Income or losses from pass-through entities

Use line 6 to allocate and apportion to New Mexico income or losses from pass-through entities and trusts. Allocate distributions of ordinary income (losses) to partners, members or owners of partnerships, limited liability companies, and Sub-Chapter S corporations, based on where the income-producing activities occur.

NOTE: Federal Schedules E and K-1 may include income from both business and non-business sources. New Mexico does not have a form equivalent to Schedule K-1. Each partnership, S corporation, estate, trust, or similar pass-through entity usually provides a statement or report showing the correct allocation, apportionment, and distribution of income to partners, shareholders, or beneficiaries for their records.

Column 1

From your federal Schedule E, enter your share of income or losses from pass-through entities, including partnerships, S corporations, estates, trusts, or limited liability companies.

Column 2

Use the information from the pass-through entity or trust to complete

this column.

All Taxpayers. Enter the portion of Column 1 income allocated and apportioned to New Mexico by the pass-through entity or the trust.

NOTE: All income a pass-through entity or a trust allocates or apportions to New Mexico is taxable in New Mexico. Under the Uniform Division of Income for Tax Purposes Act, income from pass-through entities and trusts must be allocated or apportioned.

If the pass-through entity or trust does not provide the necessary New Mexico apportionment percentages or information that allows calculation of a percentage, New Mexico presumes that all distributive amounts from the pass-through entity or trust is New Mexico-source income.

LINE 7

All other income not included in lines 1 through 6 and line 8

IMPORTANT: Do not enter a net operating loss carryforward on Schedule PIT-B.

Column 1

Resident. On line 7, column 1, you **must** allocate in full to New Mexico all other income not included in lines 1 through 6 and line 8 amounts.

Enter the total of all other income shown on your federal Form 1040, 1040A, or 1040EZ, and not reported in another section of the Schedule PIT-B. Do not enter business and farm income to apportion on line 8.

NOTE: If you paid tax to another state on any of your other income, you may claim a non-refundable **credit** for the tax paid to the other state on that income. To calculate the credit for taxes paid to another state, see the instructions for the 2013 PIT-1 return, line 20.

Column 2

Resident. Enter the same amount you entered in Column 1.

First-year resident. Enter all other income earned from New Mexico sources before establishing New Mex-

ico residency, and all other income earned, regardless of source, after establishing New Mexico residency.

Part-year resident. Enter all other income earned, regardless of source, while you were a New Mexico resident, and all other income earned from New Mexico sources.

Non-residents. Enter the portion of Column 1 from sources in New Mexico.

You may **not** offset income from **gambling winnings** from a New Mexico source with gambling losses on Schedule PIT-B. Regardless of your residency status, you must report gambling winnings from a New Mexico source.

Income from **unemployment compensation** is allocated to the recipient's state of residence at the time the payment was received, regardless of the state paying the unemployment compensation benefit.

LINE 8

Business and farm income

To apportion income from business and farm sources, use the *Worksheet for Apportionment of Business and Farm Income* on Schedule PIT-B, page 2. New Mexico uses an evenly weighted three-factor formula for all taxpayers, except manufacturers and certain electricity generation facilities that may use a four-factor formula.

For more information, see the PIT-B, page 2 instructions. The instructions begin on page 9B.

Column 1

Enter the total business and/or farm income reported on your federal Schedule C(s), Schedule F(s), or other similar schedules.

Column 2

All Taxpayers. If **ALL** income in Column 1 is from New Mexico sources, enter the entire amount in Column 2. If **NONE** of the income in Column 1 is from New Mexico sources, enter zero. If you have income from a farm or business earned in New Mexico **and** one or more other states, follow these

steps:

1. Complete Schedule PIT-B, page 2, lines 1 through 5.
2. Multiply the amount on PIT-B, line 8, column 1 by the decimal amount on the worksheet, line 5.
3. Enter the result on PIT-B, line 8, column 2.

If line 8, column 1 includes income for multiple businesses or farms, and the total includes income allocated both inside and outside New Mexico, do the following:

1. Using a separate Schedule PIT-B, page 2 for each business or farm, complete the schedule for each business or farm.
2. On line 8, column 2, summarize the amounts allocated to New Mexico. See the Schedule PIT-B instructions.
3. Attach the Schedule PIT-B, page 2 for each business or farm to your PIT-1 return along with Schedule PIT-B, page 1.

For more information, see the instructions for the Schedule PIT-B worksheet below.

NOTE: No business may use a separate accounting method.

LINE 9

Add lines 1 through 8 and enter the amount here.

LINE 10

Federal adjustments to income

Column 1

Enter the total federal adjustments to income from your federal Form 1040, line 36, or federal Form 1040A, line 20.

Column 2

All Taxpayers. Follow these steps to calculate the entry for line 10, column 2:

1. Divide line 9, column 2 by line 9, column 1.
2. Round to three decimal places to determine your percentage of total income allocated to New Mexico. A number rounded to 0.453, for example, is the percentage 45.3%.
3. Multiply the three-decimal place number from step 2 by the amount on line 10, column 1.
4. Enter the result on line 10, column 2. This is your allowable New Mexico adjustment to income.

LINE 11

Total income

For most taxpayers, total income on line 11, column 1 must equal or exceed the amount on their PIT-1 return, line 6, **Federal Adjusted Gross Income**. If yours does not, please check your figures.

NOTE: If you are a non-resident member of the U.S. Armed Forces reporting military wages or salary, complete line 11 as instructed. Calculations for Schedule PIT-B, line 1 may make your total income on line 11, column 1 less than the federal adjusted gross income you reported on the PIT-1 return, line 9. This is not an error.

LINE 12

Calculate percentage of New Mexico income

Calculate the percentage of New Mexico income to enter on line 12 by following these steps:

1. Divide the amount on line 11, column 2 by the amount on line 11, column 1.
2. Round to three decimal places and enter the result on line 12. This percentage cannot be less than zero.

NOTE: If the New Mexico percentage

is over 100% due to loss allocation, use 1.000.

LINE 13

New Mexico income tax to allocate

Calculate the New Mexico income tax to allocate for your line 12 entry by following these steps:

1. Calculate the tax due on the New Mexico taxable income reported on your PIT-1 return, line 17.
2. Calculate the tax, if any, on the lump-sum distribution from your PIT-1 return, line 19.
3. Add the tax amounts from steps 1 and 2, and enter the total on line 13.

NOTE for PIT-1: If you used Schedule PIT-B to calculate the New Mexico tax liability on your PIT-1 return, and also computed tax on a lump-sum distribution on PIT-1, line 19, **DO NOT** add lines 18 and 19 when completing PIT-1, line 22, as instructed on line 22.

When completing PIT-1, line 22, **DO NOT** add back the additional amount of tax for lump-sum distributions on PIT-1, line 19. Line 19 was included in your PIT-B percentage calculation. You add line 18 only, then subtract lines 20 and 21.

LINE 14

Allocated New Mexico income tax liability

On Schedule PIT-B, multiply the percentage on line 12 by the tax on line 13. This is the allocated New Mexico income tax liability. Enter this amount on Schedule PIT-B, line 14.

On your PIT-1 return, do the following:

1. Enter on PIT-1, line 18, the amount from Schedule PIT-B, line 14.
2. In the box on line 18a, enter **B** to show the tax calculation comes from Schedule PIT-B.

LINE INSTRUCTIONS FOR WORKSHEET ON SCHEDULE PIT-B, PAGE 2

WORKSHEET FOR APPORTIONING BUSINESS AND FARM INCOME

Who must complete this form. If you have business or farm income

on line 8, column 1 from both inside and outside New Mexico, complete the worksheet on Schedule PIT-B, page 2. When you submit your return, attach:

- The page 2 worksheet to Schedule PIT-B, page 1; **and**
- Both page 1 and the page 2 worksheet of Schedule PIT-B to your PIT-1 return.

NOTE: If you have multiple businesses or farms on line 8, column 1, and the total includes income allocated from both inside and outside New Mexico, complete a separate Schedule PIT-B, page 2 for each business or farm and enter the total amounts allocated to New Mexico on line 8, column 2.

If you submit your return on paper, you can use a separate page formatted the same as Schedule PIT-B, page 2 instead of attaching multiple pages of page 2.

New Mexico uses an evenly weighted three-factor formula. The three factors are property, payroll, and sales. The three-factor formula is for all taxpayers except certain manufacturers.

Taxpayers whose principal activity is manufacturing may use a four-factor formula—sales x 2, property, and payroll—for tax years beginning on or after January 1, 1995, and before January 1, 2020. The manufacturer must use the four-factor method for a total of three consecutive tax years covering at least 36 calendar months.

The Statutory authority for this elective method is in Section 7-4-10(B) NMSA 1978.

Manufacturing means, for purposes of using the four-factor apportionment method, combining or processing components or materials to increase their value for sale in the ordinary course of business. Manufacturing does not include construction, farming, processing of natural resources, or most power generation.

When you can use the four-factor method. A taxpayer who is a manufacturer may use the four-factor method under the following conditions:

- The business' combined property and payroll factor percentages in the state exceed the sum of the taxpayer's property and payroll factor for the first tax year beginning on or after January 1, 1991; **and**
- The taxpayer must indicate in writ-

ing, no later than the filing date of the first return to which the election applies, the election to use the four-factor method.

At the bottom of Schedule PIT-B, page 2, enter the effective date of your election to use the four-factor method.

If you are a qualified manufacturer using the four-factor method, make the following adjustments when completing the Schedule PIT-B worksheet:

- Line 3b, **SALES FACTOR.** Divide column 2 by column 1, and then multiply the result by 2 for your entry.
- Line 5, apportionment percentage. Divide the total percent on line 4 by 4, and enter a three-decimal place number.

At the bottom of Schedule PIT-B, page 2, enter the effective date of your election to use the four-factor method.

Eliminating one or more factors. If the allocation and apportionment provisions of the Uniform Division of Income for Tax Purposes Act do not fairly represent the extent of your business activity in this state, you may without prior approval, or the Department may require, if reasonable, the exclusion of any one or more insignificant factors—property, payroll, or sales.

A factor is insignificant if Column 1 (the denominator) is between 0% and 3% of net income. On line 5, use the number of significant factors to calculate the average. If you include an insignificant factor, attach an explanation.

Enter the primary taxpayer's social security number, the name of the business for which you are completing this worksheet, and **either** the FEIN (Federal Employer Identification Number) or CRS (Combined Reporting System) identification number of the business.

PROPERTY FACTOR

The property factor is based on the average value of real and tangible personal property you owned or rented and used in New Mexico for the pro-

duction of business or farm income during the tax period.

LINE 1a

To determine the average value of real and tangible personal property, use the following rules:

- Property you owned during the tax period is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (before federal adjustments) at the time you acquired the property, and adjusted by subsequent capital additions, improvements, or partial dispositions.
- Property you rented from others and used for business or farm purposes is valued at eight times the net annual rental rate. The net annual rental rate is the annual rent you paid, less any annual rent you received from subrentals of the same property.
- Determine the average value of property by adding the total value of property you held at the **beginning** of the tax period to the total value of property held at the **end** of the tax period. Then divide by two.
- You may calculate an average value on a monthly basis. If the Department determines that a monthly average is necessary to correctly reflect the average value of your property, the Department may require you to calculate an average value on a monthly basis

Column 1

Enter the average value of property for everywhere, including New Mexico.

Column 2

Enter the average value of property for New Mexico only.

LINE 1b

The property factor is a percentage. To calculate the percentage, follow these steps:

1. Divide line 1a, column 2 by line 1a, column 1.
2. Round to three decimal places and enter this number.

NOTE: Residents who use their homes in any way in a business or

farm operation have a property factor in New Mexico.

PAYROLL FACTOR

The payroll factor is based on the amount of compensation you paid.

LINE 2a

If any one of the following conditions is present, compensation was paid in New Mexico:

- The employee's service was performed entirely in New Mexico.
- The employee's service was performed both inside and outside New Mexico, but service performed outside New Mexico was incidental to service performed inside New Mexico.
- Some of the employee's service was performed in New Mexico, **and** New Mexico was the base of operations or the place from which the service was directed or controlled.
- Some of the employee's service was performed in New Mexico, **and** the employee was a resident of New Mexico during the tax period. In this case, it does not matter if some of the employee's service was performed in another state that was the base of operations or that was the place from which the service was directed or controlled.

LINE 2b

The payroll factor is a percentage determined by dividing the amount in Column 2 by the amount in Column 1.

$$\frac{\text{Amount in Column 2}}{\text{Amount in Column 1}}$$

where:

- Column 1 is the total amount paid

as compensation to employees everywhere during the tax period.

- Column 2 is the total amount paid as compensation to employees in New Mexico during the tax period.

SALES FACTOR

Sales means all gross receipts from transactions and activity in the regular course of business. The sales factor is based on total sales in New Mexico, excluding non-business income. Total sales includes the following two categories, which are described next:

- Sales of tangible personal property sold in New Mexico
- Sales of other than tangible personal property sold in New Mexico

Tangible personal property is sold in New Mexico when **any** of the following applies:

- The property was delivered or shipped to a purchaser other than the U.S. government in New Mexico, regardless of the FOB point or other conditions of sale.
- The property was shipped from an office, store, warehouse, factory, or other place of storage in New Mexico **and** (a) the purchaser was the U.S. government **or** (b) you were not subject to income tax in the state where the property was sold.

Sales other than sales of tangible personal property are made in New Mexico when **any** of the following applies:

- The income-producing activity was performed in New Mexico.

- The income-producing activity was performed both inside and outside New Mexico, but a greater proportion was performed inside New Mexico than in any other single state. The proportion is determined by the cost of performance in each state.

- The gross receipts were from the rental, lease, licensing, or any other use of either real or tangible personal property during the time the property was in New Mexico.

- The gross receipts were from the performance of personal services in New Mexico.

LINE 3a

Column 1

Enter the total sales everywhere, excluding non-business income.

Column 2

Enter the total sales in New Mexico, excluding non-business income.

Line 3b

The sales factor is a percentage determined by dividing the amount in Column 2 by the amount in Column 1.

$$\frac{\text{Amount in Column 2}}{\text{Amount in Column 1}}$$

LINE 5

Apportionment Percentage

To calculate the apportionment percentage:

1. Divide line 4 by the number of factors you used.
2. Multiply this percentage by the amount on Schedule PIT-B, line 8, column 1.
3. Enter the result on Schedule PIT-B, line 8, column 2.

The Department encourages all taxpayers to file electronically. Electronic filing is fast and secure. It provides the fastest turnaround for a refund and saves tax dollars, costing less to process than a paper return.